Circumventing Carmack Amendment Preemption Via Violations to Federal Laws

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For over 80 years, the Carmack Amendment has governed the standard in imposing liability on a carrier for the actual loss or injury to property transported through interstate commerce. It was enacted to achieve uniformity and prevent uncertainty surrounding a carrier's liability from state to state.

While it is generally well-established that the Carmack Amendment's broad reach preempts state laws arising out of the shipment of goods by interstate carriers, an understanding as to the limitations of its preemptive scope on federal laws was recently clarified by the Illinois District Court.

In the case, the Cessna Aircraft Company tendered jet engines to YRC, Inc. for interstate transportation services. During the transport, the engines were "extensively damaged." As a result, Cessna's insurer was compelled to pay Cessna almost $2 million.

Cessna's insurance carrier brought a four count complaint against YRC alleging liability pursuant to: (1) the Carmack Amendment to the Interstate Commerce Act for the damage caused during interstate commerce; (2) the Interstate Commerce Commission Termination Act (ICCTA) for violations of the safe loading requirements (49 CFR 398.4) in light of the driver's report that the load "shifted" causing the truck to go off the road; (3) the ICCTA for the driver's "flagrant violation of the posted speed limit" (49 CFR 392.6); and (4) the ICCTA for violating the annual inquiry and review of driving records (49 CFR 391.25) and general requirements for driver qualification files (49 CFR 391.51) when YRC knew or should have known of the driver's prior convictions for speeding and driving under the influence yet continued to allow him to transport cargo interstate. The basis for these claims comes from the plaintiff's contention that YRC operated pursuant to authority issued by the Federal Motor Carrier Safety Regulations (FMCSR) and provides transportation services subject to jurisdiction under the ICCTA and subject to the requirements of FMCSR.

YRC moved to dismiss Counts II, III, and IV as preempted by the Carmack Amendment as the sole and exclusive remedy for damage to cargo transported in interstate commerce. The court disagreed and denied YRC's motion without entertaining oral argument.

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In finding that the reach of the Carmack Amendment does not preempt ICCTA claims, the court reasoned that the "preemptive scope is broad, it is not all-inclusive." State law and common law are regularly and routinely preempted. On the other hand, there was no precedent supporting an argument that the Carmack Amendment preempts other federal statutes.

Overall, this decision is a valuable clarification that recovery for damage to cargo transported interstate may not be grounded solely in the Carmack Amendment. Instead, where federal claims arising from the same underlying facts are supported, they may circumvent dismissal via Carmack Amendment preemption. Consequently, this decision is an important lesson not only for those engaging in interstate commerce, but those utilizing interstate commerce transportation for their goods, along with those insuring the transported goods.

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